

Message Text

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ACTION XMB-04

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FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 2918
INFO AMCONSUL GUADALAJARA
AMCONSUL MONTERREY

UNCLAS MEXICO 09975

PASS EXIM

E.O. 11652: N/A
TAGS: EIND, MX
SUBJECT: CURRENT STATE OF MEXICAN AUTOMOTIVE INDUSTRY

REF: A) MEXICO 1678; B) MEXICO 9407; C) STATE 125095

1. SUMMARY. THE MEXICAN AUTOMOTIVE INDUSTRY, WHICH AP-
PEARED TO BE HEADED FOR THE WRECKERS FOLLOWING THE PESO
DEVALUATION IS GETTING BACK INTO GEAR. GOM IS
WORKING ON EXTENSIVE OVERHAUL. END SUMMARY.

2. BOTH SALES AND PRODUCTION FIGURES FOR THE FIRST
FOUR MONTHS OF 1977 ARE WELL BELOW COMPARABLE 1976 LEVELS
ALTHOUGH APRIL FIGURES INDICATE THAT SOME RECUPERATION
IS IN SIGHT. THE FIGURES ARE ALSO AFFECTED BY THE 62-
DAY LONG STRIKE AT GENERAL MOTORS WHICH WAS ENDED BY
CONCEDING A 10 PERCENT WAGE INCREASE AND MORE FRINGE
BENEFITS, AND A 5-DAY STRIKE AT DINA (SEE REFTTEL A).
PASSENGER CAR PRODUCTION WAS 54,481 UNITS COMPARED TO
84,096, AND SALES 58,036 COMPARED TO 77,991. TRUCK
PRODUCTION WAS 25,062 UNITS COMPARED TO 37,906, AND SALES
26,450 COMPARED TO 36,124. TRUCK-TRAILER PRODUCTION WAS
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212 UNITS COMPARED TO 791; AND SALES 183 COMPARED TO
798. BUS PRODUCTION WAS 361 UNITS COMPARED TO 620 UNITS,
AND SALES 338 COMPARED TO 415. NISSAN WAS THE ONLY AUTO-
MOTIVE COMPANY TO INCREASE PRODUCTION (BY 15 PERCENT)
TO 11,964. CHRYSLER DECREASED 27 PERCENT TO 16,244
UNITS; FORD 19 PERCENT TO 15,190; GM 62 PERCENT
TO 5,573; INTERNATIONAL HARVESTER TRUCKS 58 PERCENT TO

234; VAM 40 PERCENT TO 5,950 UNITS; VW 52 PERCENT TO 15,958; DINA 30 PERCENT TO 8,660; TRAILERS DE MONTERREY 78 PERCENT TO 9; FABRICAS AUTOCAR 95 PRECENT TO 6; KENWORTH 88 PERCENT TO 63; AND MEXICANA DE AUTOBUSES 30 PERCENT TO 265.

3. SEVERAL HIGH-RANKING FOREIGN AUTOMOTIVE INDUSTRY EXECUTIVES HAVE VISITED THEIR MEXICAN INVESTMENTS RECENTLY, UNDERLINING CONCERN FOR CURRENT CONDITIONS, ESPECIALLY THE COMPANIES' FINANCIAL SITUATIONS. BERNARD VERNIER PALLIEZ, PRESIDENT OF REGIE NATIONALE DES USINES RENAULT, CAME TO MEXICO IN EARLY APRIL FOR DISCUSSIONS WITH DINA, AS RENAULT HAS CAPITAL PARTICIPATION IN PRODUCTION AND DISTRIBUTION. DURING HIS MAY VISIT, TONI SCHMUECKER, PRESIDENT OF THE EXECUTIVE BOARD OF VOLKSWAGENWERK AG, DENIED RECURRENT RUMORS THAT VW WOULD LEAVE MEXICO, POINTING OUT THAT THE RABBIT AND ANOTHER MODEL ARE BEING INTRODUCED THIS YEAR. NISSAN SENT AN EXECUTIVE VICE-PRESIDENT, SADAMICHI SASAKI, TO LAY THE CORNERSTONE FOR THE NEW FOUNDRY IN THE STATE OF MEXICO. NISSAN IS ALSO BUILDING A MOTOR-TOOLING PLANT; BOTH INSTALLATIONS ARE SCHEDULED TO START PRODUCTION IN LATE 1978.

4. ONE OF THE MORE HOPEFUL NOTES OF RECENT MONTHS IS THE RECENTLY-ANNOUNCED JOINT VENTURE BETWEEN CUMMINS ENGINE AND DINA. EACH COMPANY WILL INVEST \$25 MILLION TO BUILD A PLANT WITH ANNUAL CAPACITY OF 10,000 DIESEL ENGINES, SCHEDULED TO START PRODUCTION IN UNCLASSIFIED

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1979, SUPPLYING THE MEXICAN MARKET. DINA IS ALSO INTERESTED IN DIESEL-POWERED PASSENGER CARS.

5. RUMORS CONTINUE ON A MASSIVE REORGANIZATION OF THE MEXICAN AUTOMOTIVE INDUSTRY. INDUSTRY PEOPLE POINT OUT THAT RUMORS GO BACK TO THE ENACTMENT OF THE AUTOMOTIVE LAW IN 1972. GOM IS WORKING ON NEW AUTOMOTIVE LAW WHICH WILL BE PUBLISHED IN DIARIO OFICIAL SOON. "REGLAMENTO" OR ADMINISTRATIVE GUIDELINES WILL FOLLOW, PENDING GOM DISCUSSIONS WITH INDUSTRY. LIKELIEST OUTCOME IS THAT ALL DIESEL PRODUCTION WILL BE CONCENTRATED IN DINA (WITH LIQUIDATION OF SMALLER PRIVATE FIRMS) AND THAT NUMBER OF PASSENGER AUTOMOBILE MODELS WILL DECREASE. THOMPSON

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